EXHIBIT 1

~~It contends, however, that this factor be given "limited consideration at most." (Staff Initial Brief at 31).~~

~~GCI/City's Position~~

~~The City contends that one of the State's major policy goals, i.e., promoting competition, has not been furthered by the Plan. It claims that the level of competition in the local exchange services market is extremely limited such that the vast majority of residential customers and a substantial number of business customers still lack meaningful competition. According to the City, the combination of the Plan's incentives, the Company's reaction to those incentives, and the ineffectiveness of service quality protections have acted to hinder the growth of competition.~~

~~The AG further asserts that the Plan has neither led to increased competition nor seen competition constrain monopoly profits.~~

~~Commission Analysis and Conclusion~~

~~We have stated elsewhere that the development of competition has been a matter of great concern to the Commission, and we reiterate that concern here. However, we~~We ~~see no~~ causal ~~connection between the Plan and the furtherence/hinderence~~ furtherance/hindrance ~~of competition and stand behind our original conclusion that price regulation is better suited for Ameritech in the current environment. We are beginning to see competition emerge in Illinois and we have great confidence that the new telecom law will go a long way in breaking down remaining barriers. Thus, we find that the Plan satisfies this statutory objective. in the way that GCI and City attempt to frame the issue. The Plan simply does not have such powers. The conclusory arguments presented do not consider or discuss all of the essential variables for the premise, including that the rates generated under the Plan in Illinois may have deterred incoming hopefuls seeking high profits. To be sure competition in the residential local markets has not opened as quickly or extensively as the parties or the Commission would have desired but we also cannot deny its growth. Nor can we conclude other than that this statutory goal, if properly construed, has been met.~~

9F. ~~Service Quality~~ Has the Plan maintained the Quality and Availability of Telecommunications Services

Authority; Sections 13- 506.1(b)(6); 13-103(c) and Alt Reg Order.

Under Section 13-506.1(b)(6), the Commission must find that an alternative plan of regulation will "maintain" the quality and availability of telecommunications services offered by the applicant carrier. The Commission must also consider whether the plan will disrupt the telecommunications system or consumer services under Section 13-103(c). In its 1994 Order, the Commission found that the then current quality of service provided by Ameritech Illinois was "fully satisfactory". The Commission concluded that the service quality component of the price index, which included penalties, would provide Ameritech Illinois with incentives to maintain service quality. The Commission also concluded that the incentives to invest in its network and the pricing restrictions in the Plan would ensure the availability of services to consumers. Finally, the Commission concluded that nothing in the Plan would change the way Ameritech Illinois delivered service to its customers. (Alt Reg Order at 184, 189-90.)

AI's Position

On the whole, AI contends, service quality improved significantly over the first five-year term of the Plan—the principal exception being the measure for out of service over 24 hours ("OOS>24"). During that term of the Plan, AI notes that its performance improved for seven of the eight current benchmarks.

AI observes that Staff witness McClerren focused on so-called monthly "misses" in his direct testimony. Aside from OOS>24, however, monthly data confirm that Ameritech Illinois' performance has improved steadily under the Plan. For the other seven (7) measures, AI claims its performance exceeded the benchmarks for 399 of 420 monthly data points (95%). The number of- monthly "misses" fell steadily between 1994 (17 misses) and 1999 (four misses). Considering that those benchmarks were based on annual, not monthly, performance during 1990-91 AI claims, that is a remarkable record.

In his rebuttal testimony, Mr. McClerren suggested comparing the average level of performance prior to the adoption of the Plan (using data for the periods 1990-94 and 1990-91) to performance since the Plan was adopted (1995-2000). Those comparisons, AI confirms, confirm that performance has improved substantially, again with the single exception of OOS>24.

AI notes that Staff and GCI continue to focus primarily -- indeed almost exclusively--on two service quality issues: (a) performance for the measure Out of Service Over 24 Hours ("OOS>24") and (b) the more generalized installation and repair problems during the second half of 2000. Ameritech Illinois does not dispute its failures regarding those issues, nor has it minimized the seriousness of those failures. It would, however, direct the Commission to consider on this review whether the Plan on the whole succeeded in maintaining service quality. If service quality performance is considered for all measures over the entire period of the Plan, AI maintains, it is clear that the Plan's successes outnumber its failures by a large margin. This is true, AI contends, even if one measures the success of the Plan precisely in the ways that Staff and the GCI allege that the Plan should be judged.

Staff witness McClerren testified that the success of the Plan should be measured, at least with respect to the measures in the current Plan, by comparing performance before and after the Plan was adopted. He compared the years 1995-2000 to the years 1990-91 and 1990-94 respectively, but only performed this analysis for OOS>24.

The results for the other seven measures, AI contends, all show steady improvement over the initial term of the Plan. Indeed, AI claims, many of the most important measures of service quality improved by large margins. For example, Trouble Reports per 100 Access Lines, - the best overall measure of network performance in AI's view - improved by more than 30% from 1990-94 to 1995-2000. So too, AI argues, the other measures improved over that period by margins ranging from roughly 20% to 100%. Considered on the basis of Staff's approach, AI contends, most measures of service quality have improved markedly.

GCI witness TerKeurst testified that, to get a more complete picture, one must also consider measures of service quality other than those included in the Plan. She~~,~~ did not actually perform that analysis, AI claims, on the grounds that no pre-Plan data were available for measures outside the Plan. On the basis of data submitted by CUB (in its 1996 service quality complaint case), AI notes, the comparison ~~which~~ that Ms. TerKeurst suggests to show that service quality has not declined, but instead improved since the Plan was adopted. Data gathered since the adoption of the Plan are either consistent with, or better, than pre-Plan data for all such measures for which data are available: Business Office Answering Time, Repair Office Answering Time, Repeat Trouble Rate (Installation), Repeat Trouble Rate (Repair), and Missed Repair Appointments. Thus, AI maintains, service quality– also improved based on the approach suggested by Ms. TerKeurst.

As for OOS>24, Ameritech Illinois does not deny it has struggled to comply the Commission's five-percent standard ~~which~~ that it notes to be a very demanding benchmark. Nevertheless, Ameritech Illinois recognizes its responsibility to comply with this measure and is committed to meeting it. Its commitment, AI claims, is reflected in the sharp drop in OOS>24 cases, - from an average of 14.1% in 1995-97 to an average of 7.9% in 1998-99 - approximately the same level at which the Company was performing before the Plan was adopted. With the increases in network staffing and spending, Ameritech Illinois believes it is on track to comply consistently with this benchmark, as its recent performance shows. (AI requests that administrative notice be taken of its recent performance data, but it has not proceeded as required under the Commission's Rules of Practice.)

With respect to the installation and repair delays that occurred in the second half of 2000, Mr. Hudzik testified that such problems were the result of retirements by an unexpectedly large number of network employees in 1999, coupled with rising workloads and inclement weather.

While certain of the parties suggest that a lack of network facilities also contributed to the installation and repair problems in 2000, AI notes that the record contains little, if any, evidence that the network itself is deficient. Indeed, Performance for Trouble Reports per 100 Access Lines, - the most important measure of network performance in AI's view - improved significantly under the Plan, (from an average of 2.92 for 1990-94 to an average of 2.02 for 1995-2000). In year 2000, AI notes, only 1.81 access lines per 100 were out of service. Dial Tone Within Three Seconds and Trunk Groups Below Objective - which also measure network performance - improved to a point that problems are virtually extinct, such that Staff now proposes to eliminate both of those measures.

Furthermore, AI contends, its installation and repair performance has improved rapidly as with new hirings. Such improvement, AI contends, would not have been possible if adequate facilities were not available. AI maintains that all of this evidence shows that headcount losses and not inadequate network facilities, led to the installation and repair delays ~~which~~ that occurred in the second half of 2000. Mr. Whitacre's comments, quoted by the GCI, are not to the contrary, AI claims, as Mr. Hudzik explained:

> "[T]o the extent that additional infrastructure investments could have offset the impact caused by the loss of much of our workforce, it might have mitigated some of the service problems experienced in 2000. However, the more immediate problem was the effect of construction forces that typically are devoted to infrastructure improvements and expansion to address the daily repair and installation loads, which were building due to loss of many of our technicians. I see nothing in Mr. Whitacre's statements that would be to the contrary. In fact, Mr. Whitacre specifically noted that the problem was being addressed by hiring additional technicians." (Am. Ill. Ex. 12.1, p. 12).

AI observes that while Cook County appears to agree that headcount was the problem, it would attribute the loss of headcount to post-merger cost cuts with early retirement packages and other incentives to retire some of its most experienced managers and technicians prior to the 'unanticipated' exodus that led to the service problems in the second half of 2000. AI maintains that these allegations are absolutely wrong because it offered no enhanced retirement benefits to either management or non-management network employees before the headcount losses occurred. According to AI, Cook County's allegations to the contrary have no basis in the record.

As AI's witness Hudzik explained, an unexpectedly high number of network employees retired in 1999 despite the fact that Ameritech Illinois' had proactively implemented measures which offset the impact of GATT-related changes for all network employees, both management and non-management, that would potentially be affected. Far from being an incentive to retire, as Mr. Hudzik explained, "the purpose of it was to get employees to change their minds and not retire." (Tr. 1953).

Ameritech Illinois maintains that it acted early and aggressively to maintain its network headcount. It renegotiated its collective bargaining agreements and offered additional benefits to non-management employees to avoid GATT-related headcount losses. Those changes were effective January 1, 1999. By mid-1999, when attrition proved greater than expected, Ameritech Illinois identified the problem and began hiring immediately.

By January 2000, long before service quality problems began, headcount was rising. And, in early 2000, still before service quality problems became apparent, Ameritech Illinois accelerated its hiring program. By the beginning of 2001, Ameritech Illinois had added 1468 network employees (over 17%), far more than restoring the 10% headcount loss that had occurred in 1999. AI notes that forecasts call for the Company to add another 900 network employees by the end of 2001. (Tr. 1958).

According to AI, the headcount increases have been accompanied by an enormous increase in network spending. Its network capital investments in Illinois have grown from $787 million in 1999, to $918 million in 2000, to $1.043 billion ~~million~~ (estimated budget) for 2001. And, expenses have risen from $495 million in 1999, to $664 million in 2000, to nearly $800 million (estimated budget excluding network planning and engineering) in 2001.

AI claims that its performance has responded accordingly, since the second half of 2000, the average interval for installations requiring field visits fell, from 14 days to 5 days. Pending installation orders, requiring field visits, dropped from 48,506 to 22,411. In addition, OOS>24 was reduced to 4.3%, the average interval for all repairs fell from 54 hours to 21 hours, and the pending repair load shrunk from 19,501 cases to 9,323. In this same time period, customer complaints fell dramatically.

Certain of the GCI parties contend that business and repair office answering performance has also been deficient. But, AI maintains, there is little evidence to support this claim. It notes that, business and repair office answer times are "new" Part 730 standards in Illinois, made effective in October 2000. As a result, answer time data are limited, and the data available prior to October do not consistently measure performance for the same calling centers. While the GCI parties have characterized answer times as excessive, AI maintains that there is no evidence that actual consumers share that view. AI notes that, Staff's review of customer complaints did not identify answer times as a problem. Similarly, customer survey data for February through August 2000 showed that customers rated the ease of getting their calls through to Ameritech Illinois' business and repair offices in the neutral to satisfied range--from 64.6 to 75.3, where 54 is neutral and 84 is satisfied.

In any event, in response to the Commission's new rules, Ameritech Illinois has hired additional employees in its business and repair offices. This, it claims, will assure staffing sufficient to comply with the 60-second answer time requirement in the Commission's Part 730 rules. Here too AI claims, its recent performance reflects its additional hiring (and spending). As of the first of the year, business and repair office answering times averaged 60 and 31 seconds, respectively, for all calling centers.

AI notes that certain of the GCI parties i.e., CUB and the Attorney General contend that Ameritech Illinois "currently" queues customers from other states ahead of Illinois customers on calls to collection centers. Those claims are wrong, and Mr. Hudzik specifically explained, the queuing process described by the GCI was limited to a single call center for a short period of time prior to the effective date of the Commission's answer time standards. No such queuing of customers, AI maintains, has occurred since October 2000.

GCI/City's Position

GCI and City contend that the Company's performance, in key service quality areas, has been abysmal. The record, CUB claims, demonstrates a decline in Ameritech Illinois' service quality since the inception of alternative regulation and, more dramatically, since the Ameritech/SBC merger. CUB highlights the decline in AI's service quality as follows:

- Ameritech Illinois' performance in restoring service to customers within 24 hours of a reported outage (i.e., the OOS>24 measure) has declined dramatically. Its rate of failure in correcting "out of service" situations within 24 hours averaged about 14.1 percent between 1995 and 1998—over twice the average rate of failure in 1990 through 1994. While Ameritech Illinois reported some progress in 1999, its OOS>24 performance declined again in 2000, reaching 15.2 percent in August 2000. For the month of September 2000, AI reported an OOS>24 rate of 37%, more than seven times the allowed rate per 83 Ill. Admin. Code Part 730 and the existing plan.

- The number of lines that were "out of service" almost doubled between late 1999 and mid-2000.

- Since early 1999, the average number of days needed to install a new access line Plain Old Telephone Service ("POTS") (the POTS Mean Installation Interval measure)) has more than doubled for residential customers.

- Between December 1999 and June 2000, the speed at which customer calls are answered (the Average Speed of Answer measure) declined in the residential and repair call centers and the percent of customer calls answered in those call centers (as captured by the % Calls Answered measure) also declined.

- The average time to repair service, whether for all telecommunications service troubles as a whole (the Mean Time to Repair measure) or for POTS trouble on a stand-alone basis (the POTS Mean Time to Repair measure) has sharply increased since the SBC/Ameritech merger, with

Ameritech Illinois reporting 77.7 hours to repair POTS in September 2000.

- Ameritech Illinois failed to keep an increasing percent of its POTS repair appointments (the POTS Missed Repair Appointments—Company Reasons measure) since 1998, missing 15.5% of its repair appointments in September 2000.

- Between 1999 and 2000, repair complaints increased by 71 percent, installation complaints increased by 190 percent, and construction and engineering complaints increased by 119 percent.

- By August 2000, the number of consumer complaints to Ameritech Illinois as tabulated through the executive appeals complaints process increased compared to 1999. Consumer complaint levels increased by 28 percent, 51 percent, 56 percent and 92 percent for maintenance, network, construction, and customer provisioning complaints, respectively.

- The percent of customers assigning Ameritech Illinois a low score of 0 to 5 (out of 10 points) for service quality in AI customer surveys increased by 20 percent from January 1999 to August 2000.

- Variations in state requirements have resulted in discriminatory treatment of Ameritech Illinois customers. Specifically, calls to Ameritech/SBC's collection offices by customers in other states are currently routed ahead of Illinois customer calls to meet other states' service quality standards.

- Ameritech Illinois' performance in answering calls from residential customers declined significantly between 1997 (the earliest year for which data is available) and mid-1999. The average speed at which Ameritech Illinois answers residential customer calls (the Average Speed of Answer—Residential Customer Call Centers measure) increased from 38.2 seconds in January 1997 to 413.1 seconds in June 1999. The percent of residential customer calls answered (the % Calls Answered—Residential Customer Call Centers measure) declined dramatically, from 93.2 percent in January 1997 to 59.5 percent in June 1999.

According to GCI, further indication of the decline in AI's service quality performance under the plan is found in the records of the ICC's Consumer Services Division ("CSD"), as discussed by Staff witness Jackson. In 1995, the first year of the plan, CSD received 14 complaints from AI customers regarding unsatisfactory performance of "scheduling or repair", and 20 complaints regarding unsatisfactory installation service. By 2000, those numbers had grown to 649 and 992 respectively, and excludes the 850 open service complaints that have not been closed and categorized. Ms. Jackson noted that specific complaints for poor performance by service technicians and customer service representatives have also increased. Ameritech Illinois' own data, GCI/City argue, also shows a pattern of serious degradation in critical service quality components.

GCI/City note Staff witness McClerren's assertion that the Staff has met with the Company for years to try to resolve the "out of service" problem, to no avail. His testimony shows that that in spite of the Commission's increased attention to the issue, the inclusion of a $30 million penalty in the SBC/Ameritech Merger Order for failing to meet the standard in calendar year 2000, and the Company's promises to the address the problem, AI *reduced* installation and repair technician staffing levels. Most of these technician headcount reductions occurred from August 1998 through January 2000, a period during which "increases in technician headcount were promised by the Company," according to McClerren.

The GCI/City also claim that AI's performance with respect to the "installation within 5 days" service quality measure has also been below par during the price cap plan, and particularly deficient in recent years. Mr. McClerren testified that the Company's installation performance has been unsatisfactory throughout the term of the plan. More specifically, the Company averaged more than five days for POTS installations throughout the January 1999 through September 2000 time frame, with the September 2000 time frames averaging more than 10 days.

According to GCI/City, AI also reported above-average delays in installation intervals for POTS service between June and August of 1999, at between 6.02 days and 6.41 days, when compared with average installation times of 5.86 days over the course of 1999. As noted above, installation intervals increased again during the August 2000 overtime restrictions.

Anecdotal evidence provided by AI's customers in a special meeting of the ICC and in complaints to CUB suggest that these numbers are deceivingly low given the fact that they do not capture Ameritech Illinois' performance for installation requests made in advance of a date certain. The anecdotal data regarding installation intervals for those customers suggests that they wait weeks or months for installation of service. (GCI Ex. 2.0 at 14.)

Despite AI's many service quality failings, the GCI/City assert that it has continued to cut costs by offering an early retirement package effective November 15, 2000 to management employees, including experienced field, area and general managers overseeing technicians in the field. And, it has also limited the amount of overtime each technician was allowed to work on at least two occasions in the last two years: June through August of 1999 and again in August of 2000. According to CUB, both of the limitations put on overtime coincided with sharp increases in the percentage of lines that were out of service for over 24 hours.

Deficient service quality not only affects AI's current customers, the GCI/City maintain, but also those few who have attempted to obtain service through a competitor. Most of the carriers attempting to compete with Ameritech Illinois are resellers that purchase the necessary equipment from AI leaving even those customers who have switched providers- at the mercy of AI's failings.

City maintains that the Commission also should not limit its review to the eight service quality measures ordered in the 1994 Order because that would not give a full and accurate picture of the decline in service quality. While the Other Repair intervals of other Bell Operating Companies have remained relatively steady on average, the City claims that the Other Repair intervals not measured by the Plan experienced by Ameritech customers in Illinois have increased dramatically.

Finally, the GCI/City note that the record shows that AI's investment in outside plant has declined under the plan, which could explain the increased trouble and out-of-service conditions that occurred in recent years. AI's annual new investment in outside plant declined from about $35 per access line in the 1990-1991 timeframe to about $21 in 1994, increasing to about $29 in 1996 and declined to about $19.40 in 1999. Clearly, the Company's performance in critical service quality areas and the evidence of disinvestments in the POTS network point to the need for significant modifications to the service quality component of any new plan adopted in this proceeding.

All in all, GCI/City contend, the Company has utterly failed to "maintain the quality and availability of telecommunications services" under the existing price cap plan, as required by Section 13-506.1(b)(6) of the Act.

Staff's Position

Staff observes that original service quality standards were developed in the Alt Reg Order where the Commission stated that:

> Section 5/13-506.1(b)(6) requires the Commission to find that an alternative regulation plan will maintain the quality and availability of telecommunications services. [Emphasis added.].-. . . Therefore, we will adopt the Company's eight separate quality of service measures using the Company's average performance in 1990 and 1991 as performance benchmarks. Since the Company has exceeded the Commission's Part 730 rules, which are intended to be

> minimum standards which all LEC's must satisfy, it is necessary to establish these higher standards to safeguard against erosion of service quality. (Alt Reg Order, at 58.)

The Commission intended its actions to maintain service quality levels for the eight performance measures at the Company's actual performance in 1990 and 1991. Accordingly, Staff notes the Company's performance for those years was averaged to compute benchmark for seven of the measures. The eighth measure, % Out of Service > 24 Hours, was based on Code Part 730 since the Company performed below the minimum level required by Code Part 730.

Staff contends that the Company's reported service quality has been consistently substandard throughout the life of the plan. According to Staff, the Company missed the OOS>24 standard ten times in 1995, twelve times in 1996, twelve times in 1997, eleven times in 1998, three times in 1999, and four times through September 2000. Staff further states that in year 2000, the Company's OOS>24 performance was 14.4% in October, 5.6% in November, and is estimated to be 7.1% in December, 2000. Its year ending OOS>24 performance for calendar year 2000, Staff notes, is estimated to be 10.9%.

Staff's averaging of the Company's OOS>24 performance for the years 1990 to 1994 establishes Ameritech Illinois' "pre-plan" OOS>24 performance at 7.1%. Its averaging of the Company's performance for the years 1995 to 2000 shows AI OOS>24 performance to be at 12.0%, which would represent a deterioration of over 69%.

Staff also believes it instructive to consider the Company's OOS>24 performance for 1990-1991, since these years were used by the Commission to set the original eight benchmarks. When the Commission found that Ameritech Illinois' actual average performance had not met the Part 730 standard for OOS>24 for 1990 and 1991, it determined that the actual "average" could not be used, and mandated the use of the Part 730 standard for OOS>24. Assuming arguendo, that the Commission had agreed to simply "maintain" service quality for this standard and used the AI's average actual performance from years 1990 and 1991 to set the standard, the Company's performance during the life of the Alt Reg Plan still would have failed to meet the standard. The average for the Company's OOS>24 performance for the pre Plan years 1990 and 1991 provides a benchmark of 7.2%. Staff's averaging of the Company's OOS>24 performance for the years 1995 to 2000 shows Ameritech Illinois' performance at 12.0%. This represents a deterioration of over 66% from the average of 1990 and 1991 levels, meaning that Ameritech has been unable to "maintain" service quality at a level that was already substandard.

Under either analysis, Staff claims, Ameritech Illinois' OOS>24 performance has deteriorated significantly over the course of the Plan. Further Staff notes it has met with Company representatives for years to try to resolve the out of service problem. Even with such increased Commission attention to the issue and the Company's promises to the contrary, the Company reduced installation and repair technician staffing levels. From August 1998 through January 2000, when most of the technician headcount decline occurred, there were several meetings between Staff and Company representatives where ~~increases in manpower were promised by the Company~~the Company promised increases in manpower.

Staff argues that, despite its meetings with the Company personnel, plan penalties, additional merger penalties and repeated commitments to improve performance, Ameritech Illinois would still experience the worst out of service problem in the history of the Plan. For the month of September 2000, Staff notes, the Company reported an out of service rate of 37.0%. This, it claims, exceeds the allowed rate per Code Part 730 and the current Alternative Regulation Plan by a factor of seven.

Staff maintains that the Company's installation performance has also been unsatisfactory. The Company reports that it missed the "installation performance within 5 days" standard for four months in 1996 and one month in 1999. In addition, the Company had problems reporting information accurately, i.e. the installation performance for calendar year 1999 was restated in June 2000. And, Staff believes the Company's chosen definition of installation performance is inappropriate and thus results in an understatement of service quality performance failures.

Staff claims that Ameritech's failures are further evidenced by the steady and drastic increase in the number of service quality complaints received by the Illinois Commerce Commission's Consumer Services Division ("CSD") in the year 2000. Reports of complaints made directly to Ameritech also depict a dramatic increase in complaints through the life of the Plan. It is ~~unrefutable~~irrefutable Staff claims, that consumers have suffered from long delays in obtaining repair service and installation of service, and from significant of scheduling problems experienced at the hands of Ameritech representatives.

Staff notes that the Company barely made the "Operator Speed of Answer - Intercept" measure for the year 1995, failing the standard in four separate months. It also failed the same standard, on a "monthly" basis, once in 1996 and three times in 1997. The "Trouble Reports Per 100 Lines" measure was missed twice in 1995, four times in 1996, and once in 1997, according to Staff's monthly assessment.

Overall, the Plan has contributed to Ameritech Illinois' failure on OOS>24, Staff claims, because it has been less costly for Ameritech Illinois to incur and pay the penalty (approximately $4 million) than to pay the expenses required to upgrade performance to meet the standard (approximately $30 million). This concept Staff claims was at the core of its testimony in the SBC/AI merger docket and resulted in Condition 23 of the Order requiring a $30 million penalty if the Company failed to meet the OOS>24 standard.

Staff notes that Ameritech has acknowledged that it has missed the OOS>24 standard in 2000, and is in the process of distributing the $30 million worth of credits to customers.

Commission Analysis and Conclusion

Both the GCI/City and Staff conclude that the quality of service has seriously deteriorated under the Plan. They each produce a number of different analyses of the Company's performance under the Plan and suggest a number of different reasons for the decline on service.

We note that a number of these analyses are focused exclusively on the OOS> measure or single out monthly performance instead of benchmark, i.e., annual performance. In a similar ~~vien~~vein, we are provided with a list of failures, again, mostly concerning OOS>24 that occurred in year 2000. While valuable to some degree, this does not provide a full account and complete picture.

In light of all the recent service quality problems, it is difficult to remain objective and impartial. This, however, the Commission must do. It must put aside its dissatisfaction and stresses over the past year and maintain its integrity by examining the evidence for not only year 2000 but also for all the preceding years operation of the Plan. It must examine the evidence on all of the measures, and not only those two that appear most troublesome.

In doing so, we find that AI has provided acceptable service on most of the measures we set out in the Plan. We agree with Staff, however, that reasonable service in one area will not excuse poor or substandard performance in other areas. The OOS>24 hours measure has been singled out, and properly so, since it is a major component of service. Indeed, we recall the City's argument that when a customer cannot obtain telephone service because of an outage, no other performance measures really matter. To be sure, OOS>24 hours compliance was a matter of great concern when we fashioned the Order issued in Docket 98-0555. Yet, despite our increased attention to this matter AI again failed in its performance.

Although we~~We~~ cannot confidently identify from the record the single, definitive source of the Company's performance problems, it is apparent that insufficient infrastructure investment and reduced manpower both played a role. ~~-~~ As best we can determine, the manpower shortages due to unexpected retirements appears to coincide with the worst of the infractions and it is inconceivable that AI would purposefully take actions that degrade service quality at a time so close to this review proceeding. Regardless of the cause of service quality degradation, if ~~we~~ the Commission continues with the Plan, AI is put on notice that its service obligations must be the Company's top priority and that it must take whatever action is necessary to ensure compliance with those obligations. While AI appears to be moving in the right direction, the record we review for this section of the proceeding compels us to find that the Plan has failed to meet the statutory service quality requirements. In light of this failure, the Commission finds that it must modify the incentives contained in the Plan so that if the Plan is continued, the failure does not also continue. Modifications to the incentive structure are addressed in Section VII(F) of this Order.

~~We observe in hindsight, that the Plan itself, by foregoing a positive adjustment, may not have provided the correct incentive for the Company. We will take the lessons learned and apply them in another section of this Order.~~

~~10~~ G. Is the Plan in The Public Interest

Authority: Sections 13.506.1(b)(1); 13.506.1(b)(4) and Alt Reg Order.

Section 13-506.1(b)(1) requires that any alternative regulation plan serve the public interest and subsection (b)(4) requires that it be a more appropriate form of regulation, based on the Commission's overall consideration of the policy goals set forth in Sections 13-103 and 13-506.1(a). The Commission concluded in 1994 that these standards were cumulative of all the Section 13-506.1 requirements and policy goals and could be resolved affirmatively if its conclusions on the other statutory requirements were positive. (Alt Reg Order at -188, 191).

GCI's Position

The GCI maintain that the review of the Plan operations demonstrates that the Commission and the legislative requirements and goals have only been partially met. They believe that AI's non-competitive and competitive rates are not just and reasonable; that services classified as competitive have seen rates increase; that service quality has deteriorated; that only minor innovations have been identified; that the expectation of effective, price constraining competition has not been fulfilled; that regulatory delay and costs are still prevalent, that the service basket structure has been manipulated to the detriment of consumers using the most inelastic and essential services; that AI has earned profits at a level that can only be achieved in a monopoly environment; and that POTS consumers have received only a marginal portion of the rate reductions required by the price cap plan (primarily through volume discounts on usage) or have actually paid increased rates as a result of subscribing to AI's Simplifive calling plan which was erroneously promoted as a lower priced plan.

According to GCI/City rate reinitialization is necessary to bring rates back to just and reasonable levels, and changes to the plan are necessary to bring it into compliance with the law and the Commission's goals. If the necessary changes are not made, they contend that AI should be returned to rate of return regulation.

rules and regulations of each and every telecommunications carrier –which are now subject to this standard. As AI argued, Section 13-101 does not uniquely apply to Ameritech nor does it bear on the proper interpretation to be given Section 13-506.1. We fully agree.

In the final analysis, an earnings review and a reinitialization such as argued for by the GCI, cannot be squared with the recent classification, credit and rate-capping ~~setting~~ actions and optional service package directives of the General Assembly. Further, as we have already noted, the General Assembly reenacted Section 13-506.1 after the courts concluded that preventing excess profits, is not and need not be, the purpose of alternative regulation under Section 13-506.1. All total, a reinitialization of rates on the basis of earnings and on the record developed in this proceeding, cannot be reconciled with the recent legislative initiative. These are the additional grounds, which sustain our rejection of the GCI/City proposal to reinitialize rates.

We agree that the Plan must produce just, fair and reasonable rates. What the Commission concludes in these premises is that it is inappropriate to reinitialize rates simply and solely on the basis of earnings. At the same time, the modifications we carefully ascribed to the Plan in other sections of this Order will continue to produce the desired end. This is precisely where the parties' efforts, including those of GCI/City, have produced the most relevant good.

VII. SERVICE QUALITY - GOING FORWARD

A critical factor for determining whether to approve or continue with a Plan is whether it will operate to maintain the quality of telecommunications services. In the Alt Reg Order, the Commission was mindful of the potential inherent in alternative regulation to allow service quality to degrade. Indeed, in light of Ameritech Illinois' recent service quality failures, the Commission remains greatly concerned with this potential. Therefore, it is incumbent upon this Commission to ensure that the service quality measures, benchmarks, and incentives that we adopt will be viable in maintaining service quality going forward.

A. Existing Measures and Benchmarks

The Commission included eight (8) measures of service quality when it adopted the existing Plan in 1994. It set the associated benchmarks for these measures on the basis of actual, historical performance levels - with one exception. Because AI's historical performance for Out of Service Over 24 Hours ("OOS>24") generally fell short of the standard in the Commission's Part 730 rules Commission adopted the benchmark in those rules. (the 83 Ill. Admin. Code Part 730). That approach was found to be consistent with the statutory goal of maintaining service quality. (Alt Reg Order at. 58).

Staff sets out the existing service quality standards and benchmarks in the Plan:

Standard	Code Part 730 Benchmark	Alternative Regulation Benchmark
Percent of Installations Within 5 Days	90	95.44
Percent Out of Service Over 24 Hours	95	95.00
Trouble Reports per 100 Access Lines	6	2.66
Percent Dial Tone Within 3 Seconds	95	96.80
Operator Speed of Answer – Toll and Assistance (Seconds)	10	3.60
Operator Speed of Answer – Information (Seconds)	10	5.90
Operator Speed of Answer – Intercept	N/A	6.20
Trunk Groups Below Objecting (per year)	98%	4.50

B. New Proposals

Staff and AI Position

In this proceeding, Staff has proposed that the following service quality measures be included in the Alternative Regulation Plan:

(1) Installation Within Five Business Days,
(2) Trouble Reports per 100 Access Lines,
(3) Out of Service Over 24 Hours,
(4) Operator Speed of Answer—Toll, Assistance and Information,
(5)
(5) Repeat ~~Repair Reports~~ Trouble Rate,
(6) Missed Repair Appointments,
(7) Missed Installation Appointments,
(8) Speed of Answer—Repair Office, and
(9) Speed of Answer—Business Office.
(10) Calls Answered

In summary form, Staff's proposal would call for: a) the elimination of three of the existing measures (Dial Tone Within Three Seconds; Operator Speed of Answer—Intercept; and Trunk Groups Below Objective) b) the retention of three of the existing measures (1-3, above); c) the combination of two of the existing measures (4, above); and d) the adoption of five new measures (5-10, above).

The Company generally agrees with Staff's proposed service quality measures, subject to a few concerns regarding the definition or calculation of some of the benchmark. Ameritech Illinois believes that Staff's proposed measures would, if appropriately defined and combined with appropriate benchmarks, satisfy the statutory goal of maintaining service quality.

GCI/City Position

The GCI/City Proposed that the following benchmarks be included in any alternative regulation plan approved by the Commission:

a.	POTS % installations within 5 days	95.44%
b.	Trouble reports per 100 access lines *	2.66%
c.	POTS % out of service for more than 24 hours *	5.0%
d.	Operator average speed of answer—toll and assistance *	3.6 seconds
e.	Operator average speed of answer—information *	5.9 seconds
f.	Operator average speed of answer—intercept *	6.2 seconds
g.	Trunk groups below objective *	4.5/year
h.	POTS % Out of Service Over 24 Hours	5.0%
i.	Average Speed of Answer	
	•Residential Customer Call Centers	80% w/in 20 seconds
	•Business Customer Call Centers	80% w/in 20 second
	•Repair Centers	80% w/in 20 seconds
j.	% of Calls Answered	
	•Residential Customer Call Centers	95 %
	•Business Customer Call Centers	95 %
	•Repair Centers	95 %
k.	POTS Mean Installation Interval	4 business days
l.	POTS Mean Time to Repair	21 hours
m.	POTS % Installation Trouble Report Rate (7 days)	5%
n.	POTS % Repeat Trouble Report Rate (within 30 days)	10%
o.	POTS % Missed Installation Commitments – Company Reasons	1%
p.	POTS % Missed Repair Commitments – Company Reasons	1%
q.	POTS % Missed Installation Appointments – Company Reasons	1%

r. POTS % Missed Repair Appointments – Company Reasons 1%

Under the GCI/City proposals: two of the existing measures would be eliminated; the remaining six measures would be retained, and ten more measures would be added. The GCI/City point out the differences between their proposals and those advanced by Staff. According to the GCI/City, their proposal adds only five measures to the four new measures proposed by Staff. The additional measures are all focused on POTS service: (1) POTS Mean Installation Interval, (2) POTS Mean Time to Repair, (3) POTS % Installation Trouble Rate (7 days), (4) POTS % Missed Installation Commitments —Company Reasons and (5) POTS % Missed Repair Commitments – Company Reasons. The only other difference between the proposals is that Staff would reduce more of the existing eight standards than GCI/City recommends and, that GCI/City witness TerKeurst proposes to disaggregate two measures, Average Speed of Answer at Business Offices and % Calls Completed at Business Offices, for residential and business customers to better monitor treatment of those customer classes.

C. Developing Benchmarks

Staff and the Company generally agree that the Commission should follow the same approach to developing benchmarks that it did in the 1994 Order. For most measures, this means that benchmarks will be based on actual, historical performance. The primary differences between the Staff and Ameritech Illinois positions on benchmarks are: (1) what historical data to use in calculating the benchmark performance level, and (2) how to determine the benchmarks when only limited historical data are available or when available data reports below the standards announced in the Commission's Part 730 rules.

AI Position

Ameritech Illinois proposes to base new benchmarks on actual, historical data for the years 1994-99, whenever such data is available and assuming that the calculated performance level does not fall below a standard imposed by Part 730. According to AI, using five years of data fairly accounts for seasonal and year-to-year changes to produce the best available picture of the service quality levels to be maintained under the Plan.

Either Ameritech Illinois' or Staff's position would be reasonable the Company claims. Using five years of data has essentially the same purpose as eliminating the high and low data points: to moderate the impact of short-term fluctuations of the benchmarks. In AI's view, using the five years of data that it proposes, will better account for seasonal and year-to-year changes than would using two years of data.

As for new requirements, the limited data available for these measures does not establish a historical level of performance consistent with the new Part 730 rules. As a result, and to be consistent with the Alt Reg Order's treatment of another measure, i.e., 00S>24, Ameritech Illinois proposes benchmarks based on the standards in Part 730.

AI argues that unlike the benchmarks ~~which~~ that the Commission adopted in the 1994 Order, the GCI/City's proposed new benchmarks generally do not take into account actual, historical performance levels. Instead, AI claims, these new benchmarks are based on a smattering of internal performance targets and what Ms. TerKeurst described as "other" factors. The record, AI notes, contains no evidence that Ameritech Illinois or any other local exchange carrier has actually performed at levels sufficient to achieve those standards. Indeed, AI notes, Ms. TerKeurst conceded that she could not name a single carrier that has done so. (Tr. 2134).

Staff Position

Staff also generally relies on historical performance data for calculating its proposed "new" benchmarks. It, however, opposes the use of a five-year average. Staff would use data for 1998-99, with the three highest and lowest data points eliminated. As Ms. Jackson testified, Staff's methodology is based on the one adopted by the Commission in the 1994 Order to calculate the Plan's existing benchmarks. Staff also notes that Ameritech considers the two-year approach to be "generally sound."

Further, Staff does not support recalculating the benchmarks for any existing service quality standards, except for the combination of the operator answer times. Staff accepts Ameritech's suggestion for a weighted average of the combination of operator answer times, if it was based on 1998 and 1999 data. (Tr. 2034 - 2035, 2041 - 2042).

GCI Position

The GCI/City contend that the Company's proposal to set benchmarks based on average service quality performance over the last five years is inconsistent with Ameritech Illinois' recognition of its inadequate service quality performance during several of those years. ~~For example, Mr. Hudzik conceded that IBT's performance for Average Speed of Answer declined significantly between 1997 and mid-1999. Mr. Hudzik also stated that AI's installation and repair performance was inadequate during 1999 and 2000 and that the Company has had problems keeping repair and installation appointments.~~ For example, the GCI/City argue that Mr. Hudzik conceded that IBT's performance for Average Speed of Answer declined significantly between 1997 and mid-1999. They claim that Mr. Hudzik also stated that AI's installation and repair performance was inadequate during 1999 and 2000 and that the Company has had problems keeping repair and installation appointments. The GCI/City believe that it is internally inconsistent for the Company to acknowledge some degradation in its service quality and then request that this degradation become the benchmark for evaluating whether service quality is maintained in the years to come.

The GCI would have the Commission adopt benchmarks based on pre-plan levels, taking into account any other relevant factors. In instances where pre-plan data is unavailable or otherwise inappropriate, GCI would have the Company's own internal targets be used. For those measures where the Company's performance during 1995-2000 is the only source available, the GCI/City contend that the benchmark should be based on the one year since the plan's inception that AI performance was best. To do as the Company and Staff recommend, the GCI/City claim, would lock in service quality standards at less-than-adequate levels.

Commission Analysis and Conclusion

Pursuant to Section 13-506.1, the Commission may approve the plan or modify the plan and authorize its implementation only if it finds, after notice and hearing, that the plan or modified plan at a minimum, will meet certain standards. In particular, we note that this Section provides that such implementation or modification "will maintain the quality and availability of telecommunications services". (220 ILCS 13/506.1(b)(6)).

The statutory directive that a Plan be approved only if it will "maintain" service quality suggests the question - relative to what standard? The objective as we see it, is to have the Company maintain service quality at an acceptable level. We believe that all parties agree with this concept. It is in the application thereof that parties begin to differ.

While the Commission prefers to establish benchmarks on a case-by case basis for each of the measures adopted, as a general proposition, we believe that using five years of data better accounts for year-to-year and seasonal variations in conditions that affect service quality performance. We take note that year 2000 data is not part of any of the benchmark calculations and this is appropriate.

For any measures where inadequate data exist, or for which the existing data does not establish a level of performance ~~consistent with~~ equal to or exceeding the Commission's Part 730 rules, it appears reasonable to adopt the standards in the Part 730 rules. To the extent however, that any such measures or benchmarks are ~~subject to changes~~ increased in the pending Part 730 rulemaking proceeding i.e., Docket 00-0596, compliance with the increased ~~new~~ starndard would be expected when the new rules take effect.

As a general observation, the use of a company's internal targets (directed to its employees) does not strike us as an appropriate standard for setting regulatory benchmarks. The premises for the former do not translate into the sound premises for the latter. The misuse of such internal targets might well have a chilling effect on a company's business practices and we believe that regulators should tread lightly in these areas.

With these concepts in mind, we turn to the various performance measure/benchmark proposals.

D. The Performance Measure and Benchmark Changes

1. Proposed: Installation Within Five Business Days (Current) (Existing Benchmark - 95.44%)

Supported by: AI, Staff and GCI

All parties agree that "Installation Within Five Business Days" (or seven calendar days) should remain as one of the service quality measures under the Plan. Both Staff and the GCI/City, however, contend that this measure should be redefined to exclude orders for vertical services.

Staff and the GCI/City contend that because the installation of vertical services is less time-consuming than installing new or additional access lines these events should not be counted in the measure. They note that vertical service orders have likely grown over time, such that the inclusion of these orders in installation data may mask additional service quality problems.

Ameritech Illinois maintains that it has always reported installation data in the same way it does today. Thus, the calculation of the existing benchmark included vertical service orders. To change the definition of the measure without adjusting the benchmark would, in effect, arbitrarily raise the standard of service reflected in the plan.

The Staff and GCI/City- argue that no adjustment in the benchmark is needed, because vertical service orders would have been negligible at the time the current Plan was adopted. Ameritech Illinois, however, introduced tariff filings that demonstrated that vertical services were established long before the Plan was adopted and it contends that the vast majority of Ameritech Illinois' current vertical services were introduced between 1974 and 1989.

While Ameritech Illinois agrees that vertical services have generally grown in proportion to total installation orders, the record does not show how fast or how extensively they have grown. As a result, AI maintains, it is not possible to conclude that such orders would have been "negligible" prior to the adoption of the current Plan. Only limited data is available for installation orders excluding vertical services and it shows that Ameritech Illinois would not have consistently achieved the 90% standard. Ameritech Illinois believes that the Commission should apply the benchmark in the Part 730 rules (90%), as it did for OOS>24 in the 1994 Order.

According to the GCI/City, the evidence shows that (1) vertical service "installations" require nothing more than a computer entry by a customer service representative; (2) demand for these services has exploded over the course of the plan, particularly since the merger with SBC and the increased marketing of vertical services like Caller ID and others, and (3) the Company's ability to meet the standard increases dramatically when vertical services are included in the computation. The GCI/City note that Staff could find no other LEC in Illinois that, before or since the Plan, has computed this measure by including vertical service requests.

In short, the GCI/City maintain that the Commission should neither lower the applicable benchmark for this measure nor should it permit the Company to include the installation of vertical services in the computation of the standard. Staff agrees on both counts.

Commission Analysis and Conclusion

Adopted: <u>Measure No. 1</u> - Installation Within Five Business Days Benchmark - 90%

The measure for Installation Within Five Business Days is herewith defined to exclude orders that are limited to vertical services. Since the existing benchmark was calculated from data that included vertical services and we have no definitive evidence on the extent of the growth before or during the Plan term,- we believe it both necessary and fair to re-set the benchmark. Available data for the measure, as we here and now define it, does not establish a performance level consistent with the standard in our Part 730 rules i.e.,_90%. Therefore, consistent with our treatment of OOS>24 in the 1994 Order, we will adopt the Part 730 standard as the benchmark for this measure. The GCI/City's belief that we are lowering the benchmark in response to AI's recent performance misses the point. We find it to be central to the concept of "maintaining" service quality that service quality measures and benchmarks be set consistent with the data upon which they are based. A change in the definition of a measure essentially establishes a "new" standard going forward and thus necessitates a "new" benchmark that reasonably and rationally corresponds thereto.

~~(Notably, this measure of performance is addressed in the new legislation, i.e., Section 13-712.)~~

It is noted that this performance measure is a service quality standard under the new legislation, i.e., Section 13-712 and adopted in the Part 732 emergency rule such that, regardless of AI's annual performance, credits to customers issue immediately for any service failures.

Proposed: Trouble Reports per 100 Access Lines (Current)
(Existing Benchmark - 2.66)
Supported by: AI, Staff, and GCI

All parties favor retention of the existing measure and benchmark for Trouble Reports per 100 Access Lines.

Commission Analysis and Conclusions

Adopted: <u>Measure No. 2</u> - Trouble Reports per 100 Access Lines Benchmark - 2.66

The Commission determines that the existing measure and benchmark will be retained.

Proposed: Out of Service Over 24 Hours ("OOS>24") (Current) (Existing benchmark - 5%)
Supported by: AI, Staff, and GCI

All parties favor retention of the measure for OOS>24, along with the existing benchmark of five percent. The GCI/City, however, question whether Ameritech Illinois may have overstated "Act of God", i.e., weather exclusions, by removing trouble reports attributable to unusually severe weather from the numerator, but not the denominator, in the OOS>24 calculation.

Ameritech Illinois maintains that its method of calculating weather exclusions is entirely consistent with past practice, and it is entirely appropriate. As Mr. Hudzik testified, Ameritech Illinois has calculated and reported its OOS>24 data consistently since well before the current Plan was adopted. He indicates that the exclusion of weather-related troubles from the denominator in the equation "would artificially reduce the total number of troubles, essentially implying that [the weather-related troubles] did not exist." That would be inappropriate, as the additional troubles caused by weather remain a part of the workload. As a result, no change in Ameritech Illinois' reporting for OOS>24 is appropriate. AI would have the Commission consider the issue in the pending Part 730 rulemaking proceeding.

It is irrelevant, the GCI/City claim, that the Company has been calculating the OOS>24 measure a certain way for a long time if the methodology is incorrect. There is no doubt, they contend, that excluding weather-related outages from the numerator (which represents the number of outages that exceeded 24 hours) and then dividing that number by a figure that represents the total of all outages (*including* weather-related outages) decreases the resulting OOS>24 percentage. AI's methodology, which inappropriately underreports the extent to which the Company failed the OOS benchmark, is consistent with the economic incentives to calculate the OOS>24 measure in manner that minimizes penalties. The GCI/City ask the Commission to counter this incentive and adopt Ms. TerKeurst's recommendation to exclude outages associated with "acts of God" from the denominator, as they already are in the numerator.

Commission Analysis and Conclusion

Adopted : <u>Measure No.</u> 3 Out of Service Over 24 Hours (Benchmark - 95%)

The existing measure and benchmark will be retained. For the moment given the limited input, comparison and other analyses on this question, we will not require any change in the manner in which "Act of God" (weather) exclusions are calculated and reported. We will, however, address that very issue in Docket 00-0596. Hence, we direct Ameritech Illinois to calculate and report weather exclusions consistent with the outcome of that proceeding and as soon as new Part 730 rules become effective. The GCI/City's arguments on exceptions do not persuade us to do otherwise.

Proposed: Operator Speed of Answer—Toll, Assistance
(Existing benchmark - 3.6 seconds)
and
Operator Speed of Answer, - Information
(Existing benchmark - 5.9 seconds)
Combination supported by: AI, Staff. Opposed by: GCI

Staff proposes to combine the existing measures and benchmarks for Operator Speed of Answer—Toll and Assistance, and Operator Speed of Answer—Information. Staff witness Jackson testified that the existence of two standards for operator services is "unduly burdensome." (Staff Ex. 9.0, p. 26). Ameritech Illinois concurs with Staff's view that retaining separate benchmarks for the operator assistance measures would not be warranted, especially where Operator Speed of Answer has not been a problem since the adoption of the Plan.

The GCI/City oppose Staff's position based on witness TerKeurst's testimony that combining the measures may encourage Ameritech Illinois to increase the time taken to answer toll and assistance calls. It is undeniable, the GCI/City claim, that from a mathematical perspective combining the measures and benchmarks permits the Company to permit answer times for Toll and Assistance calls to lengthen. The GCI/City urge the Commission to retain the Operator Average Speed of Answer – Toll and Assistance, and Operator Average Speed of Answer – Information, measures and their corresponding benchmarks as separate service quality criteria.

According to AI, Ms. TerKeurst's position is speculative because there is no evidence that combining the existing measures would result in performance falling below appropriate levels. Indeed, Ameritech Illinois maintains~~,~~ it has met the benchmarks for both Toll and Assistance and Information calls consistently and by increasing margins over the term of the Plan. (Staff Ex. 8.0, Attach. 8.01). Further, AI argues, any increases in answer times would be reflected in the overall average, so Ameritech Illinois' ability to prioritize one set of calls over the other would be very limited.

As to the benchmark for the combined measure, Ameritech Illinois calculated a weighted average of the existing benchmarks, using 1994-2000 data to compare the number of Information calls to the number of Toll and Assistance calls. The combined benchmark, based on that calculation, is 5.61 seconds. Staff agrees that a weighted average would most accurately determine the combined benchmark, but prefers a calculation on the basis of 1998-99 data. The combined benchmark, based on Staff's approach, is 5.65 seconds.

Commission Analysis and Conclusion

Adopted: **<u>Measure No. 4</u> - Operator Speed of Answer-Toll, Assistance and Information.**
Benchmark - 5.65 seconds

The Commission accepts Staff's proposal to combine the two existing measures into a single measure. We reject GCI's suggestion that Staff's proposal would allow declining performance for one type of calls to offset improvements for another. We find no basis to support this concern. To the contrary, Ameritech Illinois has met the existing benchmarks consistently and by increasing margins throughout the life of the Plan. The benchmark for this measure is set at 5.65 seconds as Staff recommends.

Proposed: Repeat Trouble Rate (New)
(a) Installation; (b) Repair
(Benchmark not established)
Supported by: AI, Staff, and GCI/City

The parties agree that Repeat Trouble Rate Repair should be included among the service quality measures in the Alternative Regulation Plan. Repeat troubles are cases of trouble within 30 days after a previous trouble report at the same customer location. AI explains that repeat troubles do not necessarily reflect a repetition of the same type of problem.

Ameritech Illinois proposes that the Commission adopt a measure for Repeat Trouble Rate (Repair) only and it further proposes a benchmark of 13.92%, based on data from 1994-99.

Staff suggests a clarification to AI's definition of Repeat Trouble Rate as "cases of trouble within 30 days after a previous trouble report at the same location" to further specify " at the same location and on the same line." (Staff Reply Brief at 58). Staff also appears to recommend a measure and benchmark that would combine "installation" repeat troubles and "repair" repeat troubles. Its witness, Ms. Jackson, initially proposed a single measure for repeat repairs, which she identified as troubles "within 30 days" of previous trouble. In its Brief, however, Staff clarified that its proposed measure includes both installation and repair repeat trouble reports. Staff proposes a benchmark of 14% for its combined repair and installation repeat rate based on the 1998-99 data for

Repeat Trouble Rate (Repair).

As AI witness Hudzik explained, however, the measure and benchmark described in Ms. Jackson's testimony represent only the repair repeat trouble rate. Installation repeats are captured by an entirely separate measure, which tracks trouble reports within 7 days (not 30) of installation. As a result, AI maintains, there is no way to combine the two measures.

The GCI/City propose that repeat reports for both installation and repair be included in the Plan and propose two separate measures, with a benchmark of 5% for installation repeats and 10% for repair repeats.

Ameritech Illinois opposes Staff's and GCI's proposals. Ameritech Illinois did not believe that repeat reports for either installation or repair need to be included in the Commission's service quality measures noting however, that customers are more sensitive to repair repeats, because they have already experienced one instance of trouble. If such a measure is to be adopted, Ameritech Illinois contends that the applicable penalty should be split between installation and repeat troubles, consistent with Staff's proposal for a single, combined benchmark. For "installation" repeats, Ameritech Illinois proposes a benchmark of 16.90%, based on data from 1996-99. Ameritech Illinois further notes that, if Staff's benchmark calculation methodology is to be adopted, the necessary monthly data for installation repeat reports for 1998-99 could be provided through a post-record data request. Those data are not currently in the record.

The Company opposes the benchmarks suggested by GCI/City for both repair and installation repeat reports. AI notes that the GCI/City's proposed "repair" repeat benchmark (10%) was based on the Company's internal performance target. That target, AI maintains, has seldom, if ever, been attained. In fact, ARMIS data shows that very few LECs have achieved repair repeat trouble rates of 10%. (Am. Ill. Ex. Cox Cross 7). And, AI maintains the GCI/City proposed "installation" repeat benchmark (5%) reflects the Company's performance for an entirely different measure, i.e., New Circuits Failed, which is clearly separate and distinct from the installation repeat rate.

The GCI/City recommends that AI's "internal" target level of 10 percent be adopted as a benchmark. According to the GCI/City, the 13.92% AI proposed benchmark relies on data taken *during* the plan. With no data available prior to 1995 there is no basis upon which to conclude that AI's performance between 1995 and 1999 is as good as it was prior to the adoption of the price cap plan. The Company's complaints that use of internal benchmarks is inappropriate because they are viewed as difficult objectives designed to stretch the capabilities of AI employees is not persuasive to GCI/City. According to the GCI/City, Mr. Hudzik testified that AI has met its own internal service quality benchmarks, and even modified them to a stricter level to inspire improved performance.

If the Commission, however, were to decide on a historical performance-type benchmark, the GCI/City contend that the Company's performance during the best year for which data is available – the 12.63 percent achieved in 1997 – should be adopted as an interim benchmark for this measure, with the Company's own internal benchmark of 10% phased in by the second year of the plan.

Commission Analysis and Conclusion

Adopted: **Measure No. 5 Repeat Trouble Rate Installation. Benchmark - (16.90%)**
Measure No. 6 Repeat Trouble Rate Repair Benchmark - (13.92%)

We adopt Staff's proposal to include in the Plan a repeat trouble measure reflecting both installation and repair repeat rates. The Commission defines Repeat Trouble Rate - Repair as any trouble report filed within thirty (30) days after the closing of a previous trouble report filed by the same customer on the same line. The Commission defines Repeat Trouble Rate - Installation as any trouble report filed within seven (7) days after the completion of a regular service installation. Because these measures are incompatible, we cannot blend the two benchmarks. Thus, we will set separate benchmarks and assign separate penalties. We adopt Ameritech Illinois' proposed benchmark of 13.92% for Repeat Trouble Rate (Repair), based on 1994-99 data. We adopt Ameritech Illinois' proposed benchmark of 16.90% for Repeat Trouble Rate (Installation), based on data from 1996-99.

We reject GCI's proposed benchmarks ~~which~~ that are urged upon us again in Exceptions. (GCI/City Br. on Exceptions at 60). Once again, we remain unconvinced of the propriety of setting benchmarks based on internal targets especially where they are inconsistent with actual operating performance. In any event we are persuaded that, for Repeat Trouble Rate (Installation), GCI has relied upon the wrong internal target.

Proposed: **Missed Installation Commitments. (New)**
(No benchmark established)
Supported by: AI, Staff. GCI/City

The parties generally agree that some measure of missed installation commitments (or appointments) should be included in the Plan. The only issue- at hand concerns the appropriate definition and benchmark for the -measure.

AI notes that missed installation commitments or appointments measures are not currently in the Plan. For its own purposes, however, Ameritech Illinois tracks installation "commitments." AI explains that, a commitment is met when the necessary work is completed within the time committed to the customer. It does not track whether a technician appears at the customer's premises at a particular time, as this type of event Ameritech Illinois would call an "appointment". AI informs us that data is available for all installation commitments (whether or not field visits were required) from 1996 to the present, and beginning in 2000, further separated out for those commitments requiring field visits. Ameritech Illinois proposes a benchmark of 2.08% for all commitments, based on actual, historical performance for the years 1996-99.

~~Staff accepts AI's definition of "Missed Repair Commitments" as a measure of whether a repair has been completed on time and including both field and non-field visits. Staff would clarify however, that "completed" on time means the time committed to the customer and within the OOS>24 hour requirement. Once again, based on historical data for the years 1998-199 Staff recommends a benchmark of 6.4%.~~

Staff contends that "Missed Installation Commitments" should be defined as installation or transfer of plain old telephone (POTS) service, meaning no vertical services, and include both field and non-field visits, with the completion of work at a committed (field visit not required) or at an appointed (field visit required) time. (Staff Reply Brief at 57). According to Staff, AI evidence provides historical data for Missed Installation Appointments that includes field and non-field visits and excludes vertical services. On the basis of this data for the 1998 and 1999 historical period, Staff recommends a benchmark of 6.2% (Staff Reply Brief at 58; Staff Initial Br. on Exceptions at 24)).

The GCI/City propose that two, separate measures be adopted: one for missed installation "commitments" (which GCI equates with all commitments) and another for "appointments" (which GCI equates with field visits commitments). They proposed a benchmark of one percent for each of these measures, based on the Company's internal performance target for Missed Installation Commitments (All Commitments).

The GCI/City claim that the Company's own data provides support for Ms. TerKeurst's recommendation that the benchmark for % POTS Installation Commitments be set at 1%, i.e. AI's "internal" benchmark. Based on data in its NARUC report, the Company's POTS % of Missed Installation Commitments Due to Company Reasons ranged between about 1.18 percent and 1.72 percent in 2000. In the event that the Commission concludes that actual performance should be used for purposes of computing benchmarks, despite the absence of pre-plan data, the GCI/City contend that Ms. TerKeurst's alternative benchmark of 1.32 percent, based on year 1999 performance, should be adopted.

According to the GCI/City, Company witness Hudzik admitted that he had conducted no specific analysis to determine whether weather or economic conditions were particularly unusual in 1999 or any other year. (Tr. at 1837-1839.) Hence, if historical data taken during the life of the plan is used, the GCI/City claim, it should come from the one year in which performance for that measure was at its best in order to prevent a degradation of service quality under the new plan.

Ameritech Illinois argues that GCI's proposal is based on a fundamental misunderstanding of the measures it has proposed. Those measures do not track commitments requiring field visits separately from those that do not. Both the FCC and the NARUC data upon which GCI witness TerKeurst relies reflect total installation commitments, including both those that require field visits and those that do not. The only available data that separately track installation commitments requiring field visits are the data Ameritech Illinois began to provide to Staff in 2000.

Ameritech Illinois also argues that internal goals do not provide appropriate bases for benchmarks. Such goals do not reflect actual, historical performance and the adoption of such goals as regulatory requirements would have the effect of encouraging the Company to minimize its internal performance goals, rather than striving for excellence. Ameritech Illinois also notes that GCI applied the wrong internal target to this measure. The actual internal target for Missed Installation Commitments (Field Visit) was five percent, AI claims, not one percent.

AI considers Ms. TerKeurst's alternative best year of performance benchmarks as equally flawed. This of approach, AI maintains, reflects "exactly the type of picking and choosing that would clearly be inappropriate" for determining service quality benchmarks. Choosing the single best year for a benchmark fails to account for year-to-year variability in factors such as weather and economic conditions that can very substantially affect service quality data. AI witness Mr. Hudzik explained that "it is necessary to consider both enough data and a consistent pool of data, so that a full range of conditions is reflected in the resulting benchmarks."

Data is available for all installation commitments (whether or not field visits were required) from 1996 to the present, and separated out for commitments requiring field visits beginning in 2000. Ameritech Illinois proposed a benchmark of 2.08% Missed Installation Commitments, for all commitments, based on actual, historical performance for the years 1996-99. According to AI, no installation commitment data is currently available excluding vertical services. However, Part 730 of the Commission's rules AI contends, provides a benchmark of 90% for "regular service" commitments met. 83 Ill. Admin. Code § 730.540(c). Staff also supported that standard in the ongoing Part 730 review in Docket 00-0596. Therefore, if the Commission wishes to adopt a measure that would exclude vertical services, Ameritech Illinois advocates a benchmark of 90% installations to exclude vertical service orders, completed within the time committed. That benchmark, AI maintains, would be subject to any changes in the standard in the pending proceeding.

Based on historical data from 1998 and 1999, Staff proposes a benchmark of 6.2%, for Missed Installation Commitments (Field Visit). In the alternative, and again based on 1998-99 data, Staff proposed a benchmark of 1.4% for Missed Installation Commitments (All Commitments). (Staff Reply Brief at 57).

Commission Analysis and Conclusion

Adopted: Measure No. 7. - Missed Installation Commitments Benchmark - 90%

This is a new measure of performance. The Commission reasons that the standards ~~is~~ are met when the necessary work, field and non-field visits, are completed within the time committed or appointed to the customer. Consistent with our finding on the definition of Installation Within Five Business Days, the Commission defines "installation" in these premises to exclude orders limited to vertical services. The limited data available for this measure, under such definition, AI claims, does not establish a historical performance level consistent with the standard in our Part 730 rules. Those rules require that 90% of all "regular service" installations be completed within the time committed. See, 83 Ill. Admin. Code §730.540(c). As a result, we will adopt the standard in the Part 730 rules, again subject to any changes in that- benchmark that may result from our review of the service quality rules in Docket 00-0596.

We reject the GCI/City –proposed measures and benchmarks for missed installation "commitments" and "appointments." It appears that GCI misunderstands the definitions of the measures upon which it bases its proposal. We also reject GCI's proposed benchmarks, which are based on internal Company service quality goals. We agree with Ameritech Illinois that internal stretch goals are not appropriate for use as regulatory benchmarks. As we noted several times, a company may want to and should be able to better employee performance without regulatory interference and misuse. It further appears that GCI has applied the wrong internal targets for these measures, even if internal targets were otherwise appropriate as benchmarks.

Proposed: Missed Repair Commitments (New)
(No Benchmark established)
Supported by: AI, Staff, and GCI/City.

Staff's proposal to include a new measure and benchmark for Missed Repair Commitments raises issues similar to those for Missed Installation Commitments. Unlike installation commitments, however, data is separately available for repair commitments requiring field visits, back to 1995.

Ameritech Illinois concurs with Staff's proposed measure and, on the basis of its historical performance for the years 1995-99, recommends a benchmark of 9.58% for Missed Repair Commitments (Field Visit). Staff accepts AI's definition of "Missed Repair Commitments" as a measure of whether a repair has been completed on time and including both field and non-field visits. Once again, based on historical data for the years 1998-1999 Staff recommends a benchmark of 6.4%.

The GCI/City propose a benchmark of one percent (1%) for Missed Repair Commitments based on Ameritech Illinois' own internal target for Missed Installation Commitments (All Commitments). In the alternative, they propose that performance for the single best year (6.35%) be applied as an "interim" benchmark, changing to one percent (1%) in the second year of the Plan. AI provided no data for this measure for years preceding the adoption of the price cap plan, and in the GCI/City's view, the Commission cannot be certain that adoption of a benchmark based on even the best year under alternative regulation will result in the maintenance, as opposed to the degradation, of service quality for this measure. It notes that the Company's internal target of 5% for this measure is markedly worse than its established target for Missed Installation Commitments. According to these Intervenors, this difference suggests that the Company places a higher priority on installing new service than repairing existing service.

AI again contends that internal targets do not provide appropriate service quality benchmarks under an Plan. Further, AI claims, Ms. TerKeurst erroneously applied the target for all installation commitments (whether or not a field visit is required) to repair commitments that require field visits. This, AI notes ~~to be~~is a complete mismatch. AI explains that the internal target for Missed Repair Commitments (Field Visit) actually was 5%, and not 1%—entirely consistent with the target for Missed Installation Commitments (Field Visit).

If the Commission concludes that a benchmark based on historical data should be adopted even in the absence of 1990-1994 data, the GCI/City recommend that the best year for which data is available, 6.35 percent achieved in 1999, be adopted as an interim benchmark, with the 1% target phased in by the second year of the plan.

Commission Analysis and Conclusions

Adopted: Measure No. 8. - Missed Repair Commitment Benchmark - 6.4%

The Commission adopts the proposed measure for repair commitments requiring field visits. That measure better reflects repair performance in the field and would exclude all (or virtually all) troubles affecting only vertical services. We adopt Ameritech Illinois' proposed benchmark of 9.58%, based on historical performance for the years 1995-99.

We reject the GCI/City's proposed benchmark of one percent, which is based on the Company's internal performance target for Missed Installation Commitments (All Commitments). As noted earlier, we do not consider internal targets to be the appropriate source for setting regulatory benchmarks. Here, we further note that GCI has applied the wrong internal target.

Proposed: Average Speed of Answer—Repair (New)